



Committed to the future of rural communities

COMMERCIAL LENDER NEWS

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Welcome to the first issue of USDA Rural Development's newsletter for commercial lenders. With the increased emphasis on guaranteed lending, we want to keep you informed about the products that we offer to assist you in financing "commercial" ventures - from the typical business project to a museum, ice rink or a new rental housing property. This issue will focus on what programs are available and how you might use them.

GUARANTEED BUSINESS LOANS

We are actively seeking business guaranteed loan applications in both Vermont and New Hampshire.

- No minimum loan amount
- No servicing fee to lender
- Flat 2% guarantee fee
- 80% guarantee up to \$10 million
- \$5 million dollar local approval

The application process is not difficult and relies primarily on your standard underwriting documents.

Recent business guarantee projects include:

- \$3,630,000 loan for construction of a 52-bed Alzheimer's care facility in the seacoast region of NH
- \$457,000 loan for construction of a 131 site family campground in northern VT
- \$2,000,000 loan to acquire an existing furniture manufacturer in the Rutland, VT region.
- \$2,000,000 refinance for a fabricated steel manufacturer in NH

If you are financing a project that will create or save jobs and has reasonable equity and collateral, consider whether this program can help you. For more information or to discuss a particular project, simply call the Business Loan Specialist below:

VT:
[David Robinson](#)
802-828-6070

NH:
[Rob McCarthy](#)
603-223-6042



PARTNERSHIP WITH VEDA

- In Vermont, a participation program has been developed with [VEDA](#). VEDA *participates* in 40% of the RD guaranteed loan which includes all but 5% of the *unguaranteed portion*. The favorable VEDA rate is passed on to the borrower for the VEDA participation portion, the business “application” to VEDA is eliminated and *your unguaranteed exposure is reduced to 5%*. If your VT project has a VEDA component, consider this option.

GUARANTEED RENTAL HOUSING LOANS: UPCOMING WORKSHOP

What started as a pilot program in a few states is now a \$100 million national program. The program reduces the risk for banks that finance low-to-moderate mixed income rental housing properties.

- 90% guarantee
- Improve ROA by utilizing tax credits
- Combine with HOME and Federal Home Loan Bank programs for reduced risk.

USDA is sponsoring two [workshops](#) to outline the program to potential lenders and housing partners:

Wednesday, May 18th from 2-4:30 PM in Bedford, NH at the New Hampshire Housing Finance Agency Conference Room.

Thursday, May 19th from 10-12 PM in White River Junction, VT at the Comfort Suites Hotel.

For more information or to reserve a spot at a workshop, contact Robert McDonald, Housing Director for VT/NH at 802-828-6015.

GUARANTEED COMMUNITY FACILITY LOANS

USDA offers a guarantee program (typically 90%) for facilities developed and operated by non-profit organizations that provide an essential service to local communities. Recreational facilities are an eligible loan purpose. The construction of ice rinks has become a popular use of this program. Our most recent ice rink project is the Rutland Regional Field House in Rutland, VT financed through BankNorth.



Upper Valley Waldorf School in Quechee, VT received a Community Facility Guaranteed Loan through Ledyard National Bank to construct their new school.

- Assisted living facilities
- Office building for social services
- Youth training facilities
- Museums and cultural facilities

For more information contact [Bill Konrad](#) or [Susan Farber](#) at 603-223-6045 (VT and NH).

RENEWABLE ENERGY/ENERGY EFFICIENCY GRANTS FOR FARMS AND SMALL BUSINESSES

If you are working with an “SBA defined” small business or farm that is contemplating a renewable energy system (biomass, solar, wind, etc.) or energy efficiency improvements, we may be able to provide a **25% grant** toward the cost of the system/improvements.



Methane Digesters convert waste products to energy on a growing number of farms in rural America.

Current cycle applications are due by **June 27th**. Beginning next year, we anticipate funding to be available throughout the year. A guaranteed loan component of this program is also anticipated in 2006. For more information contact [Lyn Millhiser](#) at 802-828-6069.

FAQs...

Question: *Is refinancing an eligible loan purpose?*

Answer: Sometimes. *Business* loans can do 100% refinancing, however the project must show improved cash flow and that it is saving or creating jobs. If a lender is refinancing their own debt, it must be less than 50% of the total financing package. *Community* loans can only refinance as a secondary part of an overall package (typically to get to a better security position). *Rental housing* does not guarantee refinancing other than takeout of construction financing.

Question: *How is the interest rate determined?*

Answer: For business and community loans the rate is set by the lender. It can be fixed or variable but if variable, cannot be adjusted more often than quarterly. For rental housing, the rate must be a fixed rate negotiated between the lender and borrower. Interest subsidy, or buydown, is available on a competitive basis.

Question: *Will I have to wait for the funding authority to be available?*

Answer: Typically not. There is unlimited authority for community loans each year. As a new program, the rental housing program still has more than sufficient funding to meet current demand. We have a state allocation for business loans and can typically get more \$ from Washington if we run out. When a federal budget is not passed by Congress in October, we may have to wait until one is passed to begin approving guarantees, however, the fall is generally not an active time for lending.

Question: *Are there advance rate requirements for guaranteed loans?*

Answer:

- Up to 100% of FMV for community loans;
- 90% or less to for-profit rental housing;
- 97% for non-profit rental housing;
- Typical business guarantee advance rates: 80% FMV CRE; 75% FMV M&E and 60% for working assets

Question: *What should I do if I have a possible project for any of these programs?*

Answer: For any of the programs, the best first step is to call the USDA Rural Development office and talk to a loan specialist in that program. We can ask key questions to determine eligibility. If we determine the project is eligible, it may also be appropriate to meet with you and the potential borrower prior to beginning the application to further explain the guarantee program and review the project in more detail.

REQUEST A PRESENTATION TO YOUR STAFF

Rural Development is happy to make a presentation and/or host a roundtable discussion on all our guaranteed programs directly with your commercial lending staff. To request a presentation, please e-mail our Public Information Officer, Carolyn Lawrence at carolyn.lawrence@vt.usda.gov



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